

**REPORT OF THE AUDIT OF THE
GRAVES COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GRAVES COUNTY FISCAL COURT

June 30, 2007

Romaine & Associates, PLLC has completed the audit of the Graves County Fiscal Court for fiscal year ended June 30, 2007.

We have issued an unqualified opinion on the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information financial statements of Graves County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$39,195,985 as of June 30, 2007. The fiscal court had unrestricted net assets of \$2,237,051 and restricted net assets of \$404,894 in its governmental activities as of June 30, 2007, with total net assets of \$39,148,176. In its business-type activities, total net cash and cash equivalents were \$47,809 with total net assets of \$47,809. The fiscal court had total debt principal as of June 30, 2007 of \$3,522,037 with \$1,083,740 due within the next year.

Deposits:

The County's deposits were not fully insured and collateralized by bank securities or bonds. The unsecured amount at August 31, 2006 was \$4,927 and June 30, 2007 was \$2,181.

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Tony Smith, Graves County Judge/Executive
Members of the Graves County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Graves County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Graves County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Graves County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Graves County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statement. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky

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Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Tony Smith, Graves County Judge/Executive

Members of the Graves County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Graves County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2008 on our consideration of Graves County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Romaine & Associates, PLLC

March 18, 2008

GRAVES COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Tony Smith	County Judge/Executive
Romey Holmes	Magistrate
Charles Reeves	Magistrate
Jeffrey Howard	Magistrate

Other Elected Officials:

John Cunningham	County Attorney
Randy Haley	Jailer
Barry Kennemore	County Clerk
Nedra Nall	Circuit Court Clerk
John Davis	Sheriff
Howell Carr	Property Valuation Administrator
Phillip McClain	Coroner

Appointed Personnel:

Vicki McClain	County Treasurer
Codie Courtney	Finance Officer

GRAVES COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

GRAVES COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Primary Government		
	Governmental	Business- Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,055,145	\$ 47,809	\$ 2,102,954
Assets Held For Resale	586,800		586,800
Total Current Assets	<u>\$ 2,641,945</u>	<u>\$ 47,809</u>	<u>\$ 2,689,754</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	\$ 276,270	\$	\$ 276,270
Buildings	6,653,286		6,653,286
Vehicles and Equipment	669,627		669,627
Other Equipment	81,531		81,531
Infrastructure Assets - Net of Depreciation	32,347,554		32,347,554
Total Noncurrent Assets	<u>\$ 40,028,268</u>	<u>\$</u>	<u>\$ 40,028,268</u>
Total Assets	<u>\$ 42,670,213</u>	<u>\$ 47,809</u>	<u>\$ 42,718,022</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	\$ 300,000		\$ 300,000
Financing Obligations Payable	783,740		783,740
Total Current Liabilities	<u>\$ 1,083,740</u>	<u>\$</u>	<u>\$ 1,083,740</u>
Noncurrent Liabilities:			
Bonds Payable	\$ 1,480,000		\$ 1,480,000
Financing Obligations Payable	958,297		958,297
Total Noncurrent Liabilities	<u>\$ 2,438,297</u>	<u>\$</u>	<u>\$ 2,438,297</u>
Total Liabilities	<u>\$ 3,522,037</u>	<u>\$</u>	<u>\$ 3,522,037</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 36,506,231	\$	\$ 36,506,231
Restricted:			
Debt Service	404,894		404,894
Unrestricted	2,237,051	47,809	2,284,860
Total Net Assets	<u>\$ 39,148,176</u>	<u>\$ 47,809</u>	<u>\$ 39,195,985</u>

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

GRAVES COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,875,893	\$ 1,800	\$ 105,730	\$
Protection to Persons and Property	1,940,490	777,143	171,480	10,684
General Health and Sanitation	56,092	67,195	172,542	
Social Services	17,549		9,339	
Recreation and Culture	198,920		240,000	
Airports	9,231			
Roads	4,252,778		316,671	2,007,821
Interest on Long-Term and Short-Term Debt	177,371	233,634		
Total Governmental Activities	\$ 9,528,324	\$ 1,079,772	\$ 1,015,762	\$ 2,018,505
Business-type Activities				
Jail Canteen	\$ 128,148	\$ 124,472	\$	\$
Total Business-type Activities	\$ 128,148	\$ 124,472	\$	\$
Total Primary Government	\$ 9,656,472	\$ 1,204,244	\$ 1,015,762	\$ 2,018,505

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In Lieu of Tax Payments

Excess Fees

Legal Process

Unrestricted Investment Earnings

Miscellaneous Revenues

Gain on Disposal of Capital Assets

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,768,363)	\$	\$ (2,768,363)
(981,183)		(981,183)
183,645		183,645
(8,210)		(8,210)
41,080		41,080
(9,231)		(9,231)
(1,928,286)		(1,928,286)
56,263		56,263
<u>\$ (5,414,285)</u>	<u>\$</u>	<u>\$ (5,414,285)</u>
<u>\$</u>	<u>\$ (3,676)</u>	<u>\$ (3,676)</u>
<u>\$</u>	<u>\$ (3,676)</u>	<u>\$ (3,676)</u>
<u>\$ (5,414,285)</u>	<u>\$ (3,676)</u>	<u>\$ (5,417,961)</u>
\$ 1,189,982	\$	\$ 1,189,982
22,523		22,523
217,995		217,995
1,426,147		1,426,147
136,699		136,699
270,532		270,532
195		195
29,043	48	29,091
816,912		816,912
9,126		9,126
<u>\$ 4,119,154</u>	<u>\$ 48</u>	<u>\$ 4,119,202</u>
<u>\$ (1,295,131)</u>	<u>\$ (3,628)</u>	<u>\$ (1,298,759)</u>
<u>40,443,307</u>	<u>51,437</u>	<u>40,494,744</u>
<u>\$ 39,148,176</u>	<u>\$ 47,809</u>	<u>\$ 39,195,985</u>

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

GRAVES COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Industrial Development Fund</u>	<u>Jail Escrow Fund</u>
ASSETS					
Cash and Cash Equivalents	\$ 588,270	\$ 417,474	\$ 370	\$ 690	\$ 593,413
Total Assets	<u>\$ 588,270</u>	<u>\$ 417,474</u>	<u>\$ 370</u>	<u>\$ 690</u>	<u>\$ 593,413</u>
FUND BALANCES					
Unreserved:					
General Fund	\$ 585,392	\$	\$	\$	\$
Special Revenue Funds		416,231	(13,153)	690	593,413
Debt Service Fund					
Reserved for Encumbrances	<u>2,878</u>	<u>1,243</u>	<u>13,523</u>		
Total Fund Balances	<u>\$ 588,270</u>	<u>\$ 417,474</u>	<u>\$ 370</u>	<u>\$ 690</u>	<u>\$ 593,413</u>

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2007
(Continued)

Building Commission Fund	Non- Major Funds	Total Governmental Funds
<u>\$ 404,894</u>	<u>\$ 50,034</u>	<u>\$ 2,055,145</u>
<u>\$ 404,894</u>	<u>\$ 50,034</u>	<u>\$ 2,055,145</u>

\$	\$	\$ 585,392
	50,034	1,047,215
404,894		404,894
		17,644
<u>\$ 404,894</u>	<u>\$ 50,034</u>	<u>\$ 2,055,145</u>

Reconciliation of The Balance Sheet-Governmental Funds to The Statement of Net Assets:

Total Fund Balances	\$ 2,055,145
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Assets Held For Resale Are Not Financial Resources And Therefore Are Not Reported in the Funds	586,800
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	143,303,016
Accumulated Depreciation	(103,274,748)
Debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Due Within One Year - Bonds and Financing Obligation Principal	(1,083,740)
Due In More Than One Year - Bonds and Financing Obligation Principal	(2,438,297)
Total Fund Balances	<u>\$ 39,148,176</u>

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

GRAVES COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Industrial Development Fund</u>
REVENUES				
Taxes	\$ 2,856,647	\$	\$	\$
In Lieu Tax Payments	136,699			
Excess Fees	270,532			
Licenses and Permits	67,195			
Intergovernmental	560,215	2,303,565	286,913	
Charges for Services			20,791	
Miscellaneous	142,466	5,605	7,744	662,898
Interest	1,484	4,603	20	
Total Revenues	<u>\$ 4,035,238</u>	<u>\$ 2,313,773</u>	<u>\$ 315,468</u>	<u>\$ 662,898</u>
EXPENDITURES				
General Government	\$ 896,062	\$	\$	\$ 346,946
Protection to Persons and Property	205,585		1,289,455	
General Health and Sanitation	56,092			
Social Services	17,549			
Recreation and Culture	129,000			
Airports	9,231			
Roads		1,413,998		
Debt Service		521,792		315,918
Capital Projects	91,369	1,373,394		
Administration	1,295,326	93,472	161,363	
Total Expenditures	<u>\$ 2,700,214</u>	<u>\$ 3,402,656</u>	<u>\$ 1,450,818</u>	<u>\$ 662,864</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 1,335,024</u>	<u>\$ (1,088,883)</u>	<u>\$ (1,135,350)</u>	<u>\$ 34</u>
Other Financing Sources (Uses)				
Proceeds From Sale of Assets	\$ 8,000	\$ 524,899	\$	\$
Borrowed Money		488,050		
Transfers From Other Funds	250,000	346,400	1,135,300	
Transfers To Other Funds	(1,766,080)			
Total Other Financing Sources (Uses)	<u>\$ (1,508,080)</u>	<u>\$ 1,359,349</u>	<u>\$ 1,135,300</u>	<u>\$</u>
Net Change in Fund Balances	\$ (173,056)	\$ 270,466	\$ (50)	\$ 34
Fund Balances - Beginning (restated)	761,326	147,008	420	656
Fund Balances - Ending	<u>\$ 588,270</u>	<u>\$ 417,474</u>	<u>\$ 370</u>	<u>\$ 690</u>

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Jail Escrow Fund	Building Commission Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$	\$ 2,856,647
			136,699
			270,532
			67,195
613,187	233,634	26,933	4,024,447
			20,791
			818,713
1,295	21,540	101	29,043
<u>\$ 614,482</u>	<u>\$ 255,174</u>	<u>\$ 27,034</u>	<u>\$ 8,224,067</u>
\$	\$	\$	\$ 1,243,008
		311,718	1,806,758
			56,092
			17,549
			129,000
			9,231
			1,413,998
	390,057		1,227,767
			1,464,763
40		6,934	\$ 1,557,135
<u>\$ 40</u>	<u>\$ 390,057</u>	<u>\$ 318,652</u>	<u>\$ 8,925,301</u>
\$ 614,442	\$ (134,883)	\$ (291,618)	\$ (701,234)
\$	\$	\$	\$ 532,899
			488,050
	140,247	310,380	2,182,327
(416,247)			(2,182,327)
<u>\$ (416,247)</u>	<u>\$ 140,247</u>	<u>\$ 310,380</u>	<u>\$ 1,020,949</u>
\$ 198,195	\$ 5,364	\$ 18,762	\$ 319,715
395,218	399,530	31,272	1,735,430
<u>\$ 593,413</u>	<u>\$ 404,894</u>	<u>\$ 50,034</u>	<u>\$ 2,055,145</u>

The accompanying notes are an integral part of the financial statements.

**GRAVES COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

**GRAVES COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance-Governmental Funds To The Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 319,715
Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	1,464,763
Depreciation Expense	(3,704,982)
Assets disposed of, net book value	(523,773)
Assets held for resale	586,800
Proceeds from financing obligations are recorded as receipts in the Governmental Funds as a source of current financial resources. However, these transactions have no effect on the net assets.	(488,050)
Financing obligations and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. However, these transactions have no effect on net assets	
Financing Obligations Principal Payment	765,396
Bond Principal Payments	<u>285,000</u>
Change in Net Assets of Governmental Activities	<u>\$ (1,295,131)</u>

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

GRAVES COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 47,809
Total Current Assets	<u>47,809</u>
 Total Assets	 <u>47,809</u>
 Net Assets	
Unrestricted	47,809
Total Net Assets	<u><u>\$ 47,809</u></u>

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

GRAVES COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 124,472
Total Operating Revenues	<u>124,472</u>
Operating Expenses	
Commissary Supplies	69,233
Educational and Recreational	4,449
Miscellaneous	12,893
Total Operating Expenses	<u>86,575</u>
Operating Income (Loss)	<u>37,897</u>
Nonoperating Revenues (Expenses)	
Interest Income	48
Room and Board	(30,908)
Inmate Refunds	<u>(10,665)</u>
Total Nonoperating Revenues (Expenses)	<u>(41,525)</u>
Change In Net Assets	(3,628)
Total Net Assets - Beginning	<u>51,437</u>
Total Net Assets - Ending	<u><u>\$ 47,809</u></u>

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

GRAVES COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 124,472
Educational and Recreational	(4,449)
Commissary Supplies	(69,233)
Miscellaneous	(12,893)
Net Cash Provided By Operating Activities	<u>37,897</u>
Cash Flows From Noncapital Financing Activities	
Room and Board	(30,908)
Inmate Refunds on Accounts	(10,665)
Net Cash Provided By Noncapital Financing Activities	<u>\$ (41,573)</u>
Cash Flows From Investing Activities	
Interest Earned	48
Net Cash Provided By Investing Activities	<u>48</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,628)
Cash and Cash Equivalents - July 1, 2006	<u>51,437</u>
Cash and Cash Equivalents - June 30, 2007	<u><u>\$ 47,809</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	<u>\$ 37,897</u>
Net Cash Provided By Operating Activities	<u><u>\$ 37,897</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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GRAVES COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Graves County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

Graves County Building Commission Fund

This fund accounts for the debt service requirements of refunding bonds of the County as a Debt Service Fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest. The Department for Local Government does not require the County to report or budget these funds. However, the County decided to include the Building Commission Fund as part of the primary government as a blended component unit of the county.

C. Graves County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Graves County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Graves County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The County has no fiduciary funds.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund – The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Escrow Fund – The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court.

Building Commission Fund – The purpose of this fund is to account for debt service payments for the Courthouse renovation and Jail renovation projects for 1996. The Department for Local Government does not require the fiscal court to report or budget these funds.

Industrial Development Fund – The purpose of this fund is to account for industrial development activities within the county.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Disaster and Emergency Services Fund, Juvenile Detention Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Jail Escrow Fund, Local Government Economic Assistance Fund, Disaster and Emergency Fund, Juvenile Detention Fund, and the Industrial Development Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Graves County Building Commission Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1; levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Officer does not require the Jail Canteen Fund or the Building Commission Fund to be budgeted.

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Graves County Fiscal Court: Consumers Water District, South Graves Water District, Hickory Water District, Hardeman Water District, Fancy farm Water District, Symsonia Water District, and the Graves County Extension District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Graves County Fiscal Court: Mayfield-Graves County Parks and Recreation, Mayfield-Graves County Ambulance Service, Mayfield-Graves County Senior Citizens, Graves Growth Alliance, Inc., and Purchase Area Regional Industrial Authority.

Mayfield-Graves County Parks and Recreation

The Graves County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Mayfield-Graves County Parks and Recreation. The Mayfield-graves County Parks and Recreation is a joint venture between Fiscal Court and the City of Mayfield "to provide a centralized recreational facilities" within the county and the city. The Fiscal Court and the City of Mayfield are each responsible for fifty percent of the basic administration included in the budget of the Mayfield-Graves County Parks and Recreation. During the fiscal year 2007, the Fiscal Court paid the Mayfield-Graves County Parks and Recreation \$59,710.

Mayfield-Graves County Ambulance Service

The Graves County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Mayfield-Graves County Ambulance Service. The Mayfield-Graves County Ambulance Service is a joint venture between Fiscal Court and the City of Mayfield "to provide medical services " within the county and city. The Fiscal Court and the City of Mayfield are each responsible for fifty percent of the basic administration included in the budget of the Mayfield-Graves County Ambulance Service.

Mayfield-Graves County Senior Citizens

The Graves County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Mayfield-Graves County Senior Citizens. The Mayfield-Graves County Senior Citizens is a joint venture between the Fiscal Court and the City of Mayfield "to provide a centralized recreational facilities for the elderly" within the county and the city. The Fiscal Court and the City of Mayfield are each responsible for fifty percent of the basic administration included in the budget of the Mayfield-Graves County Senior Citizens. During the fiscal year 2007, the Fiscal Court paid the Mayfield-Graves County Senior Citizens \$7,500.

Graves Growth Alliance, Inc.

The Graves County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Graves Growth Alliance, Inc. The Graves Growth Alliance, Inc. is a joint venture between the Fiscal Court and the City of Mayfield "to provide affordable housing and economic development" within the county and city. The Fiscal Court and the City of Mayfield are each responsible for fifty percent of the basic administration included in the budget of the Graves Growth Alliance, Inc.

Note 1. Summary of Significant Accounting Policies (Continued)

Purchase Area Regional Industrial Authority

The Graves County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Purchase Area Regional Industrial Authority. The Purchase Area Regional Industrial Authority is a joint venture between the Fiscal Court and the City of Mayfield "for the purpose of acquiring and developing land and marketing sites to stimulate and promote economic development in the county". The Fiscal Court and the City of Mayfield are each responsible for fifty percent of the basic administration included in the budget of the Purchase Area Regional Industrial Authority.

Note 2. Deposits

The county maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. Graves County Fiscal Court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of August 31, 2006 and June 30, 2007, the county's deposits were exposed to custodial credit risk as follows:

- Uninsured and unsecured, August 31, 2006 - \$4,927
- Uninsured and unsecured, June 30, 2007 - \$2,181

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 276,270	\$	\$	\$ 276,270
Total Capital Assets Not Being Depreciated	\$ 276,270	\$	\$	\$ 276,270
Capital Assets, Being Depreciated:				
Buildings	\$ 12,900,300	\$	\$	\$ 12,900,300
Infrastructure	126,722,896	1,289,394		128,012,290
Vehicles and Equipment	2,256,701	175,369	(624,498)	1,807,572
Other Equipment	306,584			306,584
Total Capital Assets Being Depreciated	\$ 142,186,481	\$ 1,464,763	\$ (624,498)	\$ 143,026,746
Less Accumulated Depreciation For:				
Buildings	\$ (6,099,683)	\$ (147,331)	\$	\$ (6,247,014)
Infrastructure	(92,280,233)	(3,384,503)		(95,664,736)
Vehicles and Equipment	(1,080,513)	(158,157)	100,725	(1,137,945)
Other Equipment	(210,062)	(14,991)		(225,053)
Total Accumulated Depreciation	\$ (99,670,491)	\$ (3,704,982)	\$ 100,725	\$ (103,274,748)
Total Capital Assets, Being Depreciated, Net	\$ 42,515,990	\$ (2,240,219)	\$ (523,773)	\$ 39,751,998
Governmental Activities Capital Assets, Net	\$ 42,792,260	\$ (2,240,219)	\$ (523,773)	\$ 40,028,268

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 75,750
Protection to Persons and Property	133,732
Recreation and Culture	69,920
Roads, Including Depreciation of General Infrastructure Assets	3,425,580
Total Depreciation Expense - Governmental Activities	\$ 3,704,982

Note 4. Short-Term Debt

Road Fund

During the fiscal year ending June 30, 2007, Graves County entered into a \$488,050 financing obligation agreement with the Kentucky Area Development District Financing Trust (KADD) for the purchase of six trucks for the road department.

Changes in Short-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
KADD	\$ -	\$ 488,050	\$ -	\$ 488,050
Governmental Activities Long-term Liabilities	<u>\$ -</u>	<u>\$ 488,050</u>	<u>\$ 0</u>	<u>\$ 488,050</u>

Note 5. Long-Term Debt

A. Courthouse Facility First Mortgage Revenue Bonds, Series 1996A

On December 1, 1996 the Graves County Building Commission issued first mortgage refunding revenue bonds, series 1996A in the amount of \$2,555,000 for the purpose of discharging the outstanding bond series 1990 and 1991 Court Facilities Project. The Kentucky Administrative Office of the Courts (AOC) agreed to pay \$233,000 annually for the principal and interest of these bonds directly to the paying agent. If the Payment from AOC is not sufficient to meet the principal and interest requirements of the bonds, the county is liable of the remainder.

Bond principal and interest requirements as of June 30, 2007 are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 170,000	\$ 57,420
2009	175,000	49,005
2010	185,000	40,343
2011	200,000	30,963
2012-2013	430,000	21,755
Totals	<u>\$ 1,160,000</u>	<u>\$ 199,486</u>

Note 5. Long-Term Debt —(Continued)

B. Detention Facility First Mortgage Revenue Bonds, Series 1996B

On December 1, 1996 the Graves County Building Commission issued first mortgage refunding revenue bonds, series 1996B in the amount of \$1,700,000 for the purpose of discharging the outstanding bond series 1991 Detention Facilities Project. The Graves County Building Commission and Graves County have entered into an annually renewable lease, dated December 1, 1996, wherein Graves County will lease from the Graves County Building Commission the project and project site, at an agreed rental, the proceeds of which will be used to pay principal and interest on the bonds.

Bond principal and interest requirements as of June 30, 2007 are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 130,000	\$ 31,620
2009	135,000	24,990
2010	140,000	18,105
2011	145,000	11,190
2012	70,000	3,345
Totals	<u>\$ 620,000</u>	<u>\$ 89,250</u>

C. Wastewater Treatment Facility

On February 1, 1990, the Graves County Fiscal Court entered into an agreement with the Kentucky Infrastructure Authority (KIA) in order to construct a wastewater treatment facility for Pilgrims Pride (formerly known as Seaboard Farms, Inc.). The Graves County Fiscal Court also entered in to an agreement with Pilgrims Pride for rental payments equal to the loan payments. However, if the rental payments from Pilgrims Pride are not sufficient to pay loan payments, the Graves County Fiscal Court is liable.

Bond principal and interest requirements as of June 30, 2007 are:

Fiscal Year Ended June 30	Governmental Activites	
	Principal	Interest
2008	\$ 228,272	\$ 33,523
2009	236,331	25,003
2010	244,675	16,182
2011	253,314	7,049
Totals	<u>\$ 962,592</u>	<u>\$ 81,757</u>

Note 5. Long-Term Debt --(Continued)

D. Wastewater Treatment Facility

On December 1, 1995, the Graves County Fiscal Court entered into an agreement with the Kentucky Infrastructure Authority (KIA) in order to construct a wastewater treatment facility for Recycled Paper Shavings, Inc. The Graves County Fiscal Court also entered in to an agreement with Recycled Paper Shavings, Inc. for rental payments equal to the loan payments. However, if the rental payments from Recycled Paper Shavings, Inc. are not sufficient to pay loan payments, the Graves County Fiscal Court is liable.

Bond principal and interest requirements as of June 30, 2007 are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 47,978	\$ 5,607
2009	49,545	3,943
2010	51,163	2,225
2011	26,204	452
Totals	<u>\$ 174,890</u>	<u>\$ 12,227</u>

E. Excavator

On October 10, 2005, the Graves County Fiscal Court entered into a \$175,725 lease agreement at a rate of 5.25 percent tp purchase a road excavator for the road department. The principal balance as of June 30, 2007 is \$.

Future principal and ineterst requirements as of June 30, 2007 are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 19,440	\$ 5,653
2009	20,485	4,608
2010	21,587	3,506
2011	22,748	2,345
2012	32,245	1,213
Totals	<u>\$ 116,505</u>	<u>\$ 17,325</u>

Note 5. Long-Term Debt-(Continued)

F. Changes in Long-Term Debt

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Refunding Bonds	\$ 2,065,000	\$	\$ 285,000	\$ 1,780,000	\$ 300,000
Financing Obligations	2,019,383		765,396	1,253,987	295,690
Governmental Activities					
Long-term Liabilities	<u>\$ 4,084,383</u>	<u>\$</u>	<u>\$ 1,050,396</u>	<u>\$ 3,033,987</u>	<u>\$ 595,690</u>

Interest on Short-Term and Long-Term Debt

Interest on Short-Term and Long-Term Debt on the Statement of Activities includes \$72,315 in interest on financing obligations.

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

For the fiscal year ended June 30, 2007, the Graves County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2007, Graves County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Prior Period Adjustments

The beginning net assets of governmental activities and the beginning general fund balance have been adjusted to include \$2,389 of prior year funds received and held by the fiscal court presented by the County Coroner. The Graves County Fiscal Court Attorney advised the fiscal court to hold funds for one year and then release to the Graves County Fiscal Court.

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,620,000	\$ 2,859,100	\$ 2,856,647	\$ (2,453)
In Lieu Tax Payments	110,000	136,600	136,699	99
Excess Fees	244,590	307,685	270,532	(37,153)
Licenses and Permits	89,500	93,800	67,195	(26,605)
Intergovernmental Revenue	97,400	416,100	560,215	144,115
Miscellaneous	71,800	127,680	142,466	14,786
Interest	500	500	1,484	984
Total Revenues	<u>\$ 3,233,790</u>	<u>\$ 3,941,465</u>	<u>\$ 4,035,238</u>	<u>\$ 93,773</u>
EXPENDITURES				
General Government	\$ 776,554	\$ 894,945	\$ 896,062	\$ (1,117)
Protection to Persons and Property	163,860	273,760	205,585	68,175
General Health and Sanitation	44,000	44,201	56,092	(11,891)
Social Services	11,200	16,200	17,549	(1,349)
Recreation and Culture	124,000	129,000	129,000	
Airports	15,000	15,000	9,231	5,769
Capital Projects	272,645	364,014	91,369	272,645
Administration	890,439	1,651,053	1,295,326	355,727
Total Expenditures	<u>\$ 2,297,698</u>	<u>\$ 3,388,173</u>	<u>\$ 2,700,214</u>	<u>\$ 687,959</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 936,092</u>	<u>\$ 553,292</u>	<u>\$ 1,335,024</u>	<u>\$ 781,732</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	\$	\$	\$ 8,000	\$ 8,000
Transfers From Other Funds	797,748	797,748	250,000	(547,748)
Transfers To Other Funds	(2,033,840)	(2,033,840)	(1,766,080)	267,760
Total Other Financing Sources (Uses)	<u>\$ (1,236,092)</u>	<u>\$ (1,236,092)</u>	<u>\$ (1,508,080)</u>	<u>\$ (271,988)</u>
Net Changes in Fund Balance	\$ (300,000)	\$ (682,800)	\$ (173,056)	\$ 509,744
Fund Balance - Beginning (restated)	<u>300,000</u>	<u>682,800</u>	<u>761,326</u>	<u>78,526</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 588,270</u>	<u>\$ 588,270</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 1,521,838	\$ 2,306,811	\$ 2,303,565	\$ (3,246)
Miscellaneous	200	530,504	5,605	(524,899)
Interest			4,603	4,603
Total Revenues	<u>\$ 1,522,038</u>	<u>\$ 2,837,315</u>	<u>\$ 2,313,773</u>	<u>\$ (523,542)</u>
EXPENDITURES				
Roads	\$ 2,434,336	\$ 1,144,941	\$ 1,413,998	\$ (269,057)
Debt Service	44,000	44,000	521,792	(477,792)
Capital Projects		1,373,395	1,373,394	1
Administration	100,675	1,331,952	93,472	1,238,480
Total Expenditures	<u>\$ 2,579,011</u>	<u>\$ 3,894,288</u>	<u>\$ 3,402,656</u>	<u>\$ 491,632</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (1,056,973)</u>	<u>\$ (1,056,973)</u>	<u>\$ (1,088,883)</u>	<u>\$ (31,910)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds From Sale of Assets	\$	\$	\$ 524,899	\$ 524,899
Borrowed Money			488,050	488,050
Transfers From Other Funds	752,973	752,973	346,400	(406,573)
Total Other Financing Sources (Uses)	<u>\$ 752,973</u>	<u>\$ 752,973</u>	<u>\$ 1,359,349</u>	<u>\$ 606,376</u>
Net Changes in Fund Balance	\$ (304,000)	\$ (304,000)	\$ 270,466	\$ 574,466
Fund Balance - Beginning	<u>\$ 304,000</u>	<u>\$ 304,000</u>	<u>\$ 147,008</u>	<u>\$ (156,992)</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 417,474</u>	<u>\$ 417,474</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 271,061	\$ 286,211	\$ 286,913	\$ 702
Charges for Services	16,000	18,500	20,791	2,291
Miscellaneous	6,000	6,800	7,744	944
Interest			20	20
Total Revenues	<u>\$ 293,061</u>	<u>\$ 311,511</u>	<u>\$ 315,468</u>	<u>\$ 3,957</u>
EXPENDITURES				
Protection to Persons and Property	\$ 1,143,235	\$ 1,143,235	\$ 1,289,455	\$ (146,220)
Administration	164,308	182,758	161,363	21,395
Total Expenditures	<u>\$ 1,307,543</u>	<u>\$ 1,325,993</u>	<u>\$ 1,450,818</u>	<u>\$ (124,825)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (1,014,482)</u>	<u>\$ (1,014,482)</u>	<u>\$ (1,135,350)</u>	<u>\$ (120,868)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 1,014,482	\$ 1,014,482	\$ 1,135,300	\$ (120,818)
Total Other Financing Sources (Uses)	<u>1,014,482</u>	<u>1,014,482</u>	<u>1,135,300</u>	<u>(120,818)</u>
Net Changes in Fund Balance	\$	\$	\$ (50)	\$ 50
Fund Balance - Beginning			420	(420)
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 370</u>	<u>\$ (370)</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

JAIL ESCROW FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 600,000	\$ 600,000	\$ 613,187	\$ 13,187
Interest			1,295	1,295
Total Revenues	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 614,482</u>	<u>\$ 14,482</u>
EXPENDITURES				
Debt Service	\$ 162,995	\$ 162,995	\$	\$ 162,995
Administration			40	(40)
Total Expenditures	<u>\$ 162,995</u>	<u>\$ 162,995</u>	<u>\$ 40</u>	<u>\$ 162,955</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 437,005</u>	<u>\$ 437,005</u>	<u>\$ 614,442</u>	<u>\$ 177,437</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	\$ (797,748)	\$ (797,748)	\$ (416,247)	\$ 381,501
Total Other Financing Sources (Uses)	<u>\$ (797,748)</u>	<u>\$ (797,748)</u>	<u>\$ (416,247)</u>	<u>\$ 381,501</u>
Net Changes in Fund Balances	\$ (360,743)	\$ (360,743)	\$ 198,195	\$ 558,938
Fund Balances - Beginning	<u>360,743</u>	<u>360,743</u>	<u>395,218</u>	<u>34,475</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 593,413</u>	<u>\$ 593,413</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

INDUSTRIAL DEVELOPMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 315,919	\$ 662,899	\$ 662,898	\$ (1)
Total Revenues	\$ 315,919	\$ 662,899	\$ 662,898	\$ (1)
EXPENDITURES				
General Government	\$	\$ 346,980	\$ 346,946	\$ 34
Debt Service	315,919	315,919	315,918	1
Total Expenditures	\$ 315,919	\$ 662,899	\$ 662,864	\$ 35
Net Changes in Fund Balances	\$	\$	\$ 34	\$ 34
Fund Balances - Beginning			656	656
Fund Balances - Ending	\$	\$	\$ 690	\$ 690

GRAVES COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level. The jail fund expenditures exceeded budgeted expenditures by \$ 124,825.

**GRAVES COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

**GRAVES COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

	LGEA Fund	DES Fund	Juvenile Detention Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 46,526	\$ 3,155	\$ 353	\$ 50,034
Total Assets	<u>\$ 46,526</u>	<u>\$ 3,155</u>	<u>\$ 353</u>	<u>\$ 50,034</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 46,526	\$ 3,155	\$ 353	\$ 50,034
Total Fund Balances	<u>\$ 46,526</u>	<u>\$ 3,155</u>	<u>\$ 353</u>	<u>\$ 50,034</u>

GRAVES COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

GRAVES COUNTY FISCAL COURT

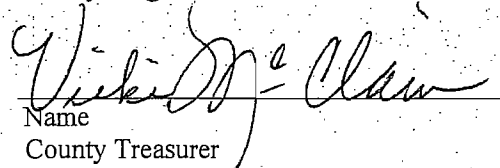
Fiscal Year Ended June 30, 2007

The Graves County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/ Executive



Name

County Treasurer